

## Message Text

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51

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-14 ISO-00 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 FEAE-00 FPC-01

H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 PA-04 USIA-15 PRS-01 DRC-01 /202 W

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R 071012Z AUG 74

FM USINT BAGHDAD

TO SECSTATE WASHDC 1119

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KWAIT

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MANAMA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

UNCLAS BAGHDAD 0470

KUWIAT PASS DOHA

E.O. 11652: N/A

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TAGS: ENRG, XF

SUBJECT: IRAQI OPPOSITION TO SAUDI OIL POLICY

1. ON AUGUST 6 ECONOMIC EDITOR OF SEMI-OFFICIAL BAGHDAD OBSERVER STRONGLY DENOUNCED SAUDI OIL POLICY AND RELATED IT TO SECRETARY SIMON'S RECENT VISIT. GIST OF ARTICLE FOLLOWS:

2. SAUDI AUTHORITIES HAVE ANNOUNCED THEIR INCLINATION TO LIMIT OIL PRICE INCREASES AND INCREASE PRODUCTION IN ORDER TO GENERATE DOWNWARD PRICE TREND. SAUDIS HAVE ALLOCATED 2.5 BILLION DOLLARS TO INCREASE PRODUCTION CAPACITY TO 11 MILLION B/D AT TIME WHEN REPORT PUBLISHED BY STANDFORD REASEARCH INSTI-TUTE EXPLICITLY STATES THAT ACTUAL FINANCIAL REQUIREMENTS NECESSARY TO FINANCE ALL ECONOMIC PROJECTS AND PLANS OF SAUDI ARABIA COULD BE ACCOMMODATED FROM OIL PRODUCTION TO EXCEEDING 3 MILLION B/D.

3. ECONOMIC ANALYSIS SHOWS THAT ANY INCREMENT IN SAUDI OIL PRODUCTION WOULD LEAD TO ACCOMMODATION OF EXCESS REVENUES WHICH MUST BE DEPOSITIED IN WESTERN BANKS OR INVESTED IN FOREIGN GOVERNMTNET BONDS BECAUSE OF LIMITED ABSORTTIVE CAPACITY OF SAUDI ECONOMY RESULTING FROM ITS WEAK INFRA-STRUCTURE. FURTHERMORE, EXPERIENCE PROVES THAT VALUE OF CREDUE OIL APPRECIATES MORE WHEN LEFT IN GROUND THAN VALUE IN GROWTH OF INTEREST RATES EARNED ON EXCESS OIL REVENUES, A FACT OF GREAT IMPORTANCE TO FUTURE GENERATIONS.

4. ABOVE REFLECTS INTER-RELATED EFFORTS OF SAUDI ARABIA AND AMERICAN PETROLEUM INTERESTS AIMED AT PUSHING DOWN OIL PRICES. WILLIAM SIMON'S VISIT DRAMATIZED BEYOND DOUBT THE SCHEMES OF U.S. AND SAUDI AUTHORITIES. WE CAN CONCLUDE THAT IF SUCCESSFUL SAUDI ARABIA'S COORDNATED EFFORTS WITH U.S. TO REDUCE PRICES WILL HAVE SIGNIFICANT CONSEQUENCES OF WHICH FOLLOWING ARE MOST IMPORTANT: (A) REDUCED OIL PRICES WOULD RESULT IN REDUCTION OF OIL REVENUES OF PRODUCERS. THIS WOULD HAVE EXTENSIVE DETRIMENTAL EFFECTS EXCEPT FOR MONOPOLISTICE FOREIGN OIL COMPANIES WHO'S MARGIANL PROFIT PER BARREL WOULD BE INCREASED AT EXPENSE OF PRODUCING COUNTRIES. (B) INCREASE IN SAUDI PRODUCTION WOULD BE UNECONOMICAL AND DEPRIVE SAUDI PEOPLE OF LASTING RESOURCES FOR FUTURE DEVELOPMENT. (C) SAUDI MEASURES TO INCREASE UNCLASSIFIED

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PRODUCTION WOULD BREAK UNITED STAND OF OEPEC AND OAPEC MEMBERS AGAINST FOREIGN COMPANIES THUS DILUTING STRENGTH OF ANY ATTEMPT TO PRESENT UNITED POLICY ON OIL PRICES AND WOULD TILT BARGAINING SCALE IN FAVOR OF MONOPOLISITIC COMPANIES. END EDITORIAL.

5. OFFICIAL BAATH PAPER ATH-THAWRA OF AUGUST 7 VIEWED SIMON VISIT IN CONTEXT OF SECRETARY KISSINGER'S AND PRESIDENT

NIXON'S VISITS AND SAID IT OF GREAT SIGNIFICANCE ON POLITICAL  
AND PETROLEUM GROUNDS IN VIEW OF U.S.- SAUDI POLICY OF  
INCREASING PRODUCTION AND REDUCING PRICES. PAPER CALLED  
FOR ARAB NATIONAL ELEMENTS TO COUNTER U.S. STRATEGY.

6. COMMENT: ABOVE SHOULD BE CONSIDERED MILD OPENING SHOTS  
IN WHAT WILL BECOME MAJOR PROPAGANDA CAMPAIGN SHOULD OIL  
PRICES BEGIN TO DELCINE. LOWRIE

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PETROLEUM PRODUCTION, GOVERNMENT REACTIONS, PRICES  
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**Copy:** SINGLE  
**Draft Date:** 07 AUG 1974  
**Decaption Date:** 01 JAN 1960  
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